



**USAID/PRICEWATERHOUSECOOPERS
EGYPT PRIVATIZATION IMPLEMENTATION PROJECT (“PIP”)**

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QUARTERLY REPORT TO USAID FOR THE FOURTH QUARTER OF 2001

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1. EXECUTIVE SUMMARY

Egypt's privatization program is currently operating in a very challenging global environment in which investors have become more cautious and selective over the past year, particularly in emerging markets and especially since the September 11 terrorist attack on New York's World Trade Center. Although there were positive signs for the Egypt's economy prior to the tragedy, since then Egypt's economy has further declined realizing a significant drop in tourism receipts and in Suez Canal receipts, which were contributing factors for recent devaluations of the Egyptian pound. Foreign direct investment has also declined significantly. Despite these adverse circumstances, the USAID Privatization Implementation Project (PIP) has realized more closings as the investment environment has deteriorated, through skillful crafting of deal structures, e.g. Abu Zabaal Fertilizers, and sourcing privatization sponsors with local market connections.

During the Fourth Quarter 2001, the PIP assisted the Ministry of Public Enterprises (MPE) and the Ministry of Economy and Foreign Trade (MOEFT) to prepare and promote a number of companies for privatization. Aggregating the sales values for the first six transactions (identified below as either Completed Transactions, Transactions Awaiting MPC Approval or Highly Likely Transactions), once completed, will allow the PIP to record privatizations with aggregate sales values passing the LE 1 billion mark since August 2001."

2. TRANSACTIONS UPDATE

TRANSACTIONS COMPLETED

Two transactions were completed during the Quarter:

- In October 2001, the Food Holding Company (HC) successfully negotiated the sale of Gharbeya Rice Mills to the Employee Shareholders Association (ESA). The transaction was approved by the Holding Company's General Assembly and the Ministerial Privatization Committee (MPC).
- On October 28, 2001, the General Assembly of the Chemicals Holding Company approved a 3-year lease with mandatory purchase (with deferred payments) at the end of the lease for Abou Zabaal Fertilizer Company. The MPC approved the deal on November 29, 2001.

TRANSACTIONS AWAITING MPC APPROVAL

Two companies in the PIP portfolio entered the final stages of privatization during the Fourth Quarter of 2001: Alexandria Cooling and Misr Import-Export.

- In October 2001, the Trade Holding Company concluded negotiations with the Investment Group for Industrial Development for the purchase of Alexandria Cooling for LE 33 million. The transaction was approved by the Holding Company's General Assembly, but the Employee Shareholders Association submitted a rival bid for the company. A final decision on the outcome of this transaction is expected from the MPC in early 2002.
- On August 15, 2001, the Trade Holding Company concluded negotiations and signed an agreement for the sale of Misr Import-Export to the company's ESA. The Holding

Company's General Assembly approved the transaction, which is now awaiting MPC approval.

HIGHLY LIKELY TRANSACTIONS

Significant developments progressing transactions also occurred relating to the following companies:

- On December 10, 2001, the General Assembly of the Holding Company for Metallurgical Industries approved the sale of Al Nasr Glass & Crystal assets as follows:
 - A letter of understanding, including major terms and conditions, was signed by Misr Europe Company for the purchase of Al Yasseen factory (which manufactures tableware, sheet glass, and ornamental glass) for LE 25 million in cash. Closing (including MPC approval) is anticipated to be by mid-February.
 - A letter of understanding, including major terms and conditions, was signed by the United Glass Company for the purchase of the Mostorod medical ampoules factory for LE 20 million (25% will be paid in advance and the balance will be paid over two years). Closing (including MPC approval) is anticipated to be by mid-February.
 - A letter of interest was also provided by Misr Europe Company for the purchase of the glass bottles factory. The highest bidder, Al Farran Co., did not submit the required bank guarantee, so the HC has re-opened the opportunity for other bidders.
- On October 20, 2001, the Dutch subsidiary of British glass manufacturer Pilkington, L.L.C. publicly bid LE 105 per share for 78% of the Egyptian Glass Company. Although the unsolicited bid was a useful indication of interest in the company, it was not effective because the National Bank of Egypt's government shares have not yet been approved by the Ministerial Committee for tender. Other anchor investors have also indicated serious interest in purchasing Egyptian Glass. The market is awaiting Government approval for this company tender, which is anticipated momentarily.

Should the foregoing transactions be completed, seven companies/holdings on the list of 29 focus companies included in PIP's recently revised scope of work would have been privatized (i.e., the six companies listed above plus Helwan Cement, which was sold in September 2001 to the Arab Swiss Engineering Company).

LIKELY TRANSACTIONS INVOLVING TENDERED COMPANIES RECEIVING OFFERS

Additionally, PIP has been informed by the Public Enterprise Office (PEO), relevant Holding Companies or representative shareholders that four companies have been tendered for sale for which either formal or informal offers, some more concrete than others, have been received. These include Omar Effendi, Misr Hotels, the Arab Company for Tourism and Hotel Investment, and Al Nasr Steel Pipes (no longer a focus transaction for PIP because of its small size).

Should these transactions proceed to close, ten companies on the list of 29 would have been privatized.

OTHER COMPANIES RECEIVING OFFERS

Furthermore, the following seven companies yet to be tendered have received formal or informal offers (again, some more concrete than others): Ismailia Misr Cooling and Storage Company, Al Nasr Electrical Apparatus (NEEASAE), Kuwaiti Egyptian Investment Company, Misr Aswan Company for Fishing and Fish Production, the Shepherd's Hotel, General Warehouses, and the National Company for Tourism. For example:

- The Employee Shareholders Association for the General Warehouses Company has expressed interest in acquiring ownership of the company. The Government of Egypt (GOE) announced its willingness to entertain offers for the company in a public announcement published in the *Financial Times* on February 28, 2001. Since then, the Maritime Holding Company has had preliminary discussions with the ESA and has expressed a preference for selling the company to the ESA.
- The majority owner of the National ("Kawmia") Company for Tourism, which owns shares in the Conrad Hotel and the Cairo Sheraton Hotel, is interested in acquiring the Government's shares in the company.

COMPANIES TENDERED WITHOUT OFFERS

- Delta Fertilizers was tendered on January 5, 2002 and the closing date for receipt of bids is March 9, 2002. Six local investors have already purchased the information memorandum. The Chemicals Holding Company hopes to conclude a transaction with an anchor investor, either through an outright purchase of the company, or through a long-term financial lease with mandate to buy.

3. PROJECT ADMINISTRATION

This Quarter, PIP project management drafted a comprehensive policy and procedures manual for all staff.

Also, in response to USAID's recent re-assessment of the privatization program, PIP streamlined its organization by assigning responsibilities for closing transactions to Transaction Teams, and narrowed its activities to those directly related to closing the most promising transactions.

OTHER SIGNIFICANT BUSINESS ACTIVITIES AND ACCOMPLISHMENTS

- PIP has arranged and organized an investor outreach mission to Abu Dhabi on January 20, 2002, and will visit potential investors in Kuwait in late February 2002.
- PIP commenced an analysis of the real estate sector in Egypt, and is establishing a database of real estate assets and companies, a significant part of the PIP portfolio.
- PIP contracted with Standard & Poor's Corporate Value Consulting (CVC) to calculate appropriate discount rates for commercial banks and hotel properties in Egypt to be employed in discounted cash flow valuations. The report was submitted and used in subsequent valuations. S&P's rates are significantly higher than those employed previously by the CAA and provide a benchmark for PIP's valuations.

4. ISSUES

USAID PRIVATIZATION PROGRAM EVALUATION

In September 2001, the Mission conducted a rapid assessment to review the current strategy and tactics of the Government of Egypt's (GOE) privatization program, as well as USAID's future support for privatization. The multi-agency assessment team sought to answer four basic questions:

- Why is the GOE not achieving privatization objectives?
- What must be done to improve the pace of privatization?
- What actions should USAID take?
- What are the implications for USAID-funded activities?

Based on the recommendations of the assessment team, USAID ordered a significant and immediate scaling back of the Privatization Implementation Project and set a deadline of June 30, 2002, for the privatization of 13 of the companies assigned to the Project. USAID also recommended that the Government of Egypt convene an advisory board or commission to provide confidential, independent feedback and recommendations on valuation processes.

If these two benchmarks are not achieved, USAID has indicated it will be difficult to continue its support of the GOE's privatization activities. USAID has indicated that it will reassess the program on or about June 30, 2002, based on results to that date. Meanwhile, USAID will monitor progress toward those goals.

It is worth noting, as mentioned above, that since the completion of USAID's evaluation, it is highly likely that PwC PIP will record sales transactions aggregating over LE 1 billion - not including a likely Egyptian Glass pending tender, which was already the subject of an unsolicited tender offer.

MODIFICATION TO THE TASK ORDER SCOPE OF WORK

On December 3, 2001, USAID proposed the following modifications to the Scope of Work for the Task Order:

"This Task Order provides for implementation support to the MPE for the privatization of Law 203 companies and to the MOEFT for the sale of public sector shares in joint venture firms.

"Unless otherwise approved in writing by the CTO, there will be twenty-nine (29) Law 203 enterprises and joint venture firms eligible to receive assistance through this task order. They are listed below:

Law 203 Public Enterprises:

Abou Zabaal Fertilizers, Delta Fertilizers, Nasr Fertilizers, Al Nasr Electrical Apparatus (NEEASAE), General Warehouses, Gharbeya Rice Mills, Misr Dairy Products, Misr Hotels, Shepherd Hotel, Al Nasr Glass & Crystal, Helwan Portland Cement, Delta Spinning and Weaving, Alex Cooling, Misr Import Export, and Omar Effendi.

Joint Venture Firms:

Misr Aswan Company for Fishing and Fish Production, Cairo Far East Bank, Misr America International Bank, Ismailia Misr Cooling and Storage Company, National Housing for Professional Syndicates (Meridian Heliopolis), Misr Iran Spinning & Weaving ("Miratex"), Arab Co. for Tourism & Hotel Invest (Semiramis), Nat'l Co. for Hotels & Tourism ("Kawmaya" - 100% Cairo Sheraton, 14% Conrad), Rowad Travel (Al Rowad), Misr Clay Brick Production Company, Misr Real Estate Investment and Tourism, Egyptian Company for Sheet Glass, October Development and Real Estate Investment Company, and Kuwaiti Egyptian Investment Company.

"Any proposed modification to this list of target firms must be approved in advance by the CTO. The contractor is not permitted to work on any other transactions without the specific, written permission of the CTO.

"The contractor is responsible for helping the MPE and the MOEFT privatize Law 203 enterprises and joint venture firms. Tasks will be focused at the firm level and include:

"Task 1: General Advisory Services to the GOE

- The contractor will provide advisory services to the necessary GOE authorities (including the MPE, PEO, MOEFT, HCs, and other owners of public enterprises) in order to achieve the successful privatization of the target firms listed above.

"Task 2: Preparation of Sale

- Valuation support to the GOE, including conducting market-based valuations (based on discounted cash flow analysis and comparable financials) and updating financial and other basic information for asset-based valuations, if required.
- Contract with, or advise the GOE on the contracting of, other firms or resources to conduct complete asset-based valuations, as deemed necessary by the IS contractor.
- Preparation of valuation reports and help obtain approvals from the required GOE authorities.
- Assistance to the GOE leading to the selection of a sales method
- Assistance to the GOE in selection of investment promoters
- Support to the GOE in conducting sellers due diligence
- Preparation of bid documents appropriate for each transaction
- Identify and target potential investors
- Assistance to the GOE as needed to prepare bid terms, advertisements, and data rooms

"Task 3: Support for Transaction Closure

- Establish bid evaluation criteria
- Support to the GOE in bid evaluation, negotiation, and title transfer (as needed and subject to USAID approval *on a case-by-case basis*)."

For easy reference, the following is the list of the 29 public enterprises and their Government sponsors that the Government of Egypt has requested PIP to provide privatization support for. USAID has asked PIP to devote its resources to the privatization of these companies exclusively. New or additional companies may be added to the list only with the written approval of the USAID CTO.

	HC / GOE Rep	Company Name
1	Bank of Alexandria	Misr Aswan Company for Fishing and Fish Production
2	Banque du Caire	Cairo Far East Bank
3	Banque du Caire	Misr America International Bank
4	Banque Misr	Ismailia Misr Cooling and Storage Company
5	Banque Misr	National Housing for Professional Syndicates (Meridian Heliopolis)
6	EGOTH	Arab Co. for Tourism & Hotel Invest (Semiramis)
7	EGOTH	Nat'l Co. for Hotels & Tourism (100% Cairo Sheraton, 10% Conrad)
8	El Shark Insurance	Rowad Tourism
9	Ministry of Housing	Misr Brick Company
10	Misr Insurance	Misr Real Estate Investment and Tourism
11	National Bank of Egypt	Egyptian Glass Company
12	National Insurance	October Development and Real Estate Company
13	National Investment Bank	Kuwaiti Egyptian Investment Company
14	Chemicals	Abou Zabaal Fertilizers
15	Chemicals	Nasr Fertilizers
16	Chemicals	Delta Fertilizers
17	Engineering	Al Nasr Electrical Apparatus (NEEASAE)
18	Maritime	General Warehouses
19	Food	Gharbeya Rice Mills
20	Food	Misr Dairy Products
21	Tourism	Misr Hotels
22	Tourism	The Shepherd's Hotel
23	Metallurgy	Al Nasr Glass & Crystal
24	Metallurgy	Helwan Portland Cement
25	Cotton & Textile Industries	Delta Spinning and Weaving

	HC / GOE Rep	Company Name
26	Cotton & Textile Industries	Misr Iran Spinning & Weaving ("Miratex")
27	Trade	Alex Cooling
28	Trade	Misr Import Export
29	Trade	Omar Effendi

PIP STAFF UNPAID LEAVE

In order to bring PIP's level of effort and budget in line with the requirements of its business, PIP management has over the past several months reduced its staff expenses by foregoing four long-term expatriate positions, a reduction by 50% from the prevailing budget.

However, because of USAID's requirement that PIP further significantly reduce its expenses for the period December 1, 2001 to June 30, 2002, PIP will also significantly reduce expenses associated with its Egyptian professional staff as well as other expenses, including vehicles and premises.

Because the budget reduction is in effect retroactive to December 1, 2001, during December PIP management instituted a mandatory three-week leave without pay for Egyptian professional staff. Only those with work deemed necessary to progress transactions on a timely basis were permitted on an exception basis to work during the three-week leave period.

Also later in December, PIP gave notification that it would terminate two Egyptian professional staff positions. More recently in January 2002, PIP announced that it would continue its policy of leave without pay to attain the requirements inherent in its budget submitted to USAID for approval. Leaves will be based on requirements contained in weekly work plans, which will allow the Project to comply with its responsibilities relating to individual transactions. This method will enable the Project to make the required substantial budget cuts, while at the same time providing the appropriate resources needed for completing at least the USAID required minimum number of transactions by June 30.

REORGANIZATION OF THE MINISTRY OF ECONOMY AND FOREIGN TRADE

On November 18, 2001, Prime Minister Atef Ebeid announced that the responsibility for privatizing 500 joint venture companies would be transferred from the MOEFT to the Ministry of Public Enterprise following the restructuring of the MOEFT. The Prime Minister stated that the MPE would henceforth be responsible for preparing the joint venture companies for privatization. The management of the companies will remain the responsibility of the public sector representatives on the companies' boards of directors.

5. LIST OF 29 COMPANIES - STATUS

This Quarter, PIP conducted investor outreach, prepared marketing brochures, completed investment memoranda, undertook tender preparatory tasks or most importantly assisted in

closing for the following Law 203 and Joint Venture companies (some of which were previously worked on by PIP prior to the more recent limited focus on 29 companies).

Law 203 Companies (MPE)

1. **Misr Hotels.** PIP advised the Holding Company for Housing, Tourism and Cinema on the timing and transaction structure for the hotel company that owns the landmark hotel, the Nile Hilton, and the Hilton Dahab. PIP also promoted the company to international hotel operators and arranged several site visits. PIP has been informed that the Holding Company has received a serious offer and is in negotiations with an investor.
2. **Shepherd's Hotel.** PIP completed a draft information memorandum for this asset and a professional market survey for the luxury hotel market in Cairo. PIP also sourced a brand investor who provided an informal offer, which was rejected as too low by the HC. A major issue is a management contract that expires in 2011.
3. **Abou Zabaal Fertilizers.** The Chemicals Holding Company concluded a three-year lease with a five-year extension obligation. The agreement provides that a consortium of local investors will initially lease and subsequently purchase the company.
4. **Delta Fertilizers.** Following the successful lease of Abou Zabaal Fertilizers, the Chemicals Holding Company asked PIP to help promote the privatization of Delta Fertilizers. PIP prepared a company profile, tender announcement and information memorandum and is consulting the Holding Company on a marketing and promotion strategy. The company was tendered on January 5, 2002, and bids are due on March 9, 2002.
5. **Al Nasr Fertilizers.** PIP prepared a company profile and information memorandum for this company. The company will be tendered if investors first demonstrate serious interest in bidding.
6. **Al Nasr Electrical Apparatus (NEEASAE).** The Engineering Holding Company received three inquiries from potential investors for this light bulb manufacturer. The existing valuation is dated and obsolete. PIP will therefore assist the HC to develop an asset valuation. The company profile, information memorandum, bidding documents, and investor outreach strategy have been completed and approved by the Holding Company. The Holding Company plans to release the information memorandum and announce the tender for this company in February 2002.
7. **Al Nasr Glass and Crystal.** The Metallurgy Holding Company received five competitive offers and concluded negotiations this Quarter with the winning bidders for the Yaseen production line and the ampoules manufacturing facility. The Holding Company General Assembly voted to approve the sale of these two production lines on December 10, 2001, and letters of understanding have been signed. One of the

- investors has also issued a letter of interest for the purchase of Al Nasr's glass bottle factory. The Holding Company expects that these transactions will be approved at the next meeting of the Ministerial Privatization Committee in January 2002.
8. **Al Nasr Steel Pipes.** PIP met several times this Quarter with a local strategic investor who submitted a bid for productive assets for this pipe manufacturer. It is likely that the investor will submit a higher bid when the FY 2001 financial statements are released and negotiations will resume in early 2002. The investor has renewed a guarantee letter of credit through the end of February. The Metallurgical Industries Holding Company indicated in January 2002 that the company has been financially and administratively restructured and that approximately 650 workers have left the company under an early retirement program.
 9. **Omar Effendi.** The tender closing date was postponed twice during the Quarter, but on November 29, 2001, the Trade Holding Company received three offers for this national retail chain, including at least one from an anchor investor in Europe. The bids are being translated and evaluated and negotiations are expected to begin in early 2002.
 10. **General Warehouses.** The Maritime Holding Company has discussed with PIP its desire to sell this company to the Employee Shareholder Association. PIP completed a valuation and discussed it with the Holding Company and its consultants.
 11. **Delta Spinning and Weaving.** The Cotton & Textile Industries Holding Company is preparing to offer this spinning and weaving company for sale in early 2002. PIP has prepared a marketing brochure and is contacting interested investors in the region.
 12. **Misr Dairy Products.** PIP completed a site visit, diagnostic and company profile for this company and is finalizing the information memorandum that should be completed by the end of January, along with a sales strategy and marketing plan. We are also currently working on an asset valuation.
 13. **Misr for Import-Export.** On August 15, 2001, the Trade Holding Company concluded negotiations and signed an agreement for the sale of Misr Import-Export to the company's ESA. The Holding Company's General Assembly approved the transaction, which is now awaiting MPC approval.
 14. **Alexandria Cooling.** In October 2001, the Trade Holding Company concluded negotiations with the Investment Group for Industrial Development for the purchase of Alexandria Cooling for LE 33 million. The transaction was approved by the Holding Company's General Assembly and the Ministerial Privatization Committee (MPC).
 15. **Gharbeya Rice Mills.** In October 2001, the Food Holding Company (HC) successfully negotiated the sale of Gharbeya Rice Mills to the Employee Shareholders Association (ESA). The transaction was approved by the Holding Company's General Assembly and the Ministerial Privatization Committee (MPC).

JV Companies (MOEFT)

PIP is assisting the GOE's designated representatives (mainly the public sector banks and insurance companies) prepare the following JV companies and banks for the sales transaction phase of privatization:

1. **Ismailia Misr Cooling and Storage Company.** Banque Misr has received two expressions of interest from investors for this small refrigeration/cold storage company. PIP completed a company profile, information memorandum, bidding documents, privatization strategy, tender announcement and data room for this company. The Capital Markets Authority is expected to approve the tender announcement by the end of January 2002 and Banque Misr is expected to publish the tender shortly thereafter.
2. **National Housing for Professional Syndicates.** PIP completed the valuation, which was approved by the CAA, a company profile and marketing materials to promote the sale of the Meridien Heliopolis hotel and related real estate assets. The information memorandum is now being prepared.
3. **Misr America International Bank.** PIP completed a valuation report and information memorandum and has delivered marketing and investor outreach assistance to Banque du Caire for the sale of this bank. At Banque du Caire's request, marketing will be done on a one-on-one basis with regional and international banks. PIP is trying to ascertain if the shareholder is prepared to offer the bank within the range of values at which in PIP's estimation the bank can be sold in the current market.
4. **Cairo Far East Bank.** PIP has initiated steps to tender the bank. Negotiations are on-going between the Banque du Caire and the Korean Exchange Bank to offer together their respective shares to a prospective buyer. PIP has completed an information memorandum and is preparing a valuation of the bank, including an asset appraisal of the headquarters building, a material asset.
5. **Kuwaiti Egyptian Investment Company.** This holding company owns equity stakes in 10 companies and four real estate assets. It only has a majority stake in one company, however, the Kuwaiti Egyptian Company for Plastic Pipes Production. PIP completed a diagnostic review and a valuation of this company, as well as a valuation of the investment company as a whole. We are now drafting a report explaining the assumptions behind the valuations. In January 2002, PIP met a representative of the Kuwaiti partner, which has 50% ownership of the company and may be interested in acquiring the outstanding state share.
6. **Misr Iran Textile Company (Miratex).** Company profiles in English and Arabic have been completed for this company, the minority shareholder of which is Iranian. The valuation has been completed, except for the insertion of 2001 financial results, which should be available in early February. A valuation should be completed by mid-

February. The most likely potential buyer is the Iranian minority shareholder, which has a right of first refusal on the Government's 10% of the total company shares outstanding. The Government owns a total of 51% of the total outstanding shares. Foreign affairs considerations primarily will dictate the timing of this potential transaction.

7. **Egyptian Glass Company.** PIP assisted the National Bank of Egypt by completing a valuation, preparing marketing materials, assembling a data room, recommending a privatization strategy, and conducting investor outreach activities for the promotion and sale of Egypt's only float glass manufacturer. Subsequently, the Central Audit Agency approved the valuation and four international glass manufacturers expressed interest in the company. One of these, Pilkington, P.L.C., published an offer on October 20, 2001, to buy 78% of the company at LE 105 per share. The offer was not accepted because the tender has not yet been formally announced. The tender should be announced momentarily.
8. **Misr Aswan Company for Fishing.** PIP assisted the Bank of Alexandria by completing a valuation (which has been approved by the CAA) and company profile and marketing this company. At least one strategic investor from the Gulf has submitted an expression of interest in the company. PIP has completed the information memorandum (in Arabic) and will deliver it to the Bank of Alexandria in January 2002.
9. **Al Fayoum for Food Security.** Although the company is not on the focus list of 29 companies, PIP did work to facilitate privatization during the 4th Quarter of 2001, before the list was issued. For example, PIP met with the Governor of Al Fayoum to suggest he send a letter to the Banque du Caire, authorizing the sale of 15 feddans of land to the potential buyer of this dairy farm.
10. **Misr Real Estate Investment and Tourism.** PIP completed a company diagnostic and a valuation for this real estate company and presented both to Misr Insurance for review and approval. The valuation was approved by the Central Audit Agency. However, PIP has not yet received authorization to visit the company to conduct preliminary due diligence, which will not happen until Misr Insurance is authorized to buy the remaining 5% of shares owned by the public. For reasons unknown to PIP, this purchase authority has not been forthcoming for three months.
11. **Rowad Travel.** PIP completed a valuation report and a company profile for this diverse tourism holding company, which owns more than 25 separate assets. El Shark and the MOEFT approved both the valuation and the profile, and the Central Audit Agency approved the valuation on September 15. Only the largest subsidiary is profitable and PIP will recommend a divestment strategy before the end of January. It is doubtful that this company will be sold before June 30, and considerations are being given to removing it from the focus list of 29 companies.

12. **October Development and Real Estate Investment Company.** The National Insurance Company approved PIP's marketing brochure and valuation. The information memorandum should be completed by mid-February.
13. **Misr Brick Company.** PIP assisted the Ministry of Housing to complete a valuation and marketing materials for this Company, the largest brick manufacturer in the Middle East. As a result of comments from the Ministry of Housing and implementation of the Company's early retirement program, PIP will revise the valuation report. PIP will meet with the Ministry of Housing in early 2002 to agree on a strategy for divestiture.
14. **The Arab Company for Tourism and Hotel Investment (Semiramis).** PIP completed a valuation that is being used by the Holding Company as a benchmark in its discussions with the majority shareholder. The HC is awaiting an offer from the majority shareholder.
15. **The National ("Kawmia") Company for Tourism.** PIP completed a valuation for this company and presented it to the Chairman of the Holding Company for Hotels, Tourism and Cinema. Kawmia owns 10% of the Conrad Hotel and 100% of the Cairo Sheraton Hotel. The GOE is prepared to sell 30% of the Company to an anchor investor. The current majority owners have shown some interest in buying the minority interests owned by EGOTH.

6. DELIVERABLES COMPLETED DURING 4TH QUARTER 2001¹

No.	Type of Deliverable	Title	Date
1.	Information Memorandum	Ismailaya Misr for Cooling	11/15/2001
2.		Misr America International Bank	11/30/2001
3.		Cairo Far East Bank	11/30/2001
4.	Company Profiles	Misr Dairy Products	12/4/2001
5.		Misr Iran Textile Company	10/21/2001
6.		Ismailaya Misr for Cooling (English & Arabic)	10/29/2001
7.	Diagnostic Reports	PIP Portfolio Overview	10/30/2001
8.		PIP Real Estate Fact Sheet	12/13/2001
9.		PIP Real Estate Database	11/21/2001
10.		PIP Real Estate Meetings	12/2-3/2001
11.		JVs on the Cairo Alex Stock Exchange	9/30/2001
12.	Valuation Reports	S&P's Corporate Value Consulting Report	11/10/2001
13.		Misr America International Bank*	11/15/2001
14.	Marketing & Investor Outreach	Meeting with Metallurgy HC re: Al Nasr Glass & Crystal*	12/12/2001
15.		Meeting with Investor re: Al Nasr Steel Pipes*	11/11/2001, 10/10/2001
16.		Meeting with Metallurgy HC re: Al Nasr Steel Pipes*	11/7/2001

¹ Soft copies of deliverables are included in the CD-ROM version of this report.

No.	Type of Deliverable	Title	Date
17.		Speech by the U.S. Ambassador to the AmCham	11/8/2001
18.		AmCham Donor Committee Meeting	11/5/2001
19.		German-Arab Chamber of Industry and Commerce	10/21-22/2001
20.		Public Projects - Private Finance Conference	10/14/2001
21.		British Egyptian Business Association Paper	10/10/2001
22.	Policy Memoranda	PIP Policies and Procedures Manual	12/31/2001
23.		Contingency Planning Workshop	11/8/2001
24.		Step-by-step Guide to Selling JVs	10/18/2001

* This deliverable contains sensitive and confidential information. Copies are available upon request.

7. DELIVERABLES COMPLETED TO DATE

Type of Deliverable	Number
Information Memoranda	12
Company Profiles	48
Diagnostic Reports	60
Valuation Reports	19
Training and Capacity Building (documents and events)	27
Marketing and Investor Outreach (documents and events)	40
Policy Memoranda	33
Sector Studies	3

8. PROGRESS VERSUS BENCHMARKS

At the request of USAID, the following benchmark has replaced the nine benchmarks from the original Task Order:

Benchmark 1: Successful tendering, offer, or ESA sale of Law 203 and joint venture firms.
Measure: PIP will provide all necessary assistance to the GOE to lead to the successful privatization of the 29 target firms, as measured by the number of companies officially offered or tendered by the GOE, the number of investors who conduct due diligence, the number of bids received for each company, and successful divestitures to Employee Share Associations.
Progress: To date, 3 of the 29 target firms have been sold (Helwan Cement and Alexandria Cooling to anchor investors; Gharbeya Rice Mills to an ESA) and 2 others are in the final stages of a transaction: Abou Zabaal Fertilizers (long-term financial lease) and Misr Import-Export (ESA). In addition, 11 other companies on the list of 29 have received offers, whether formal or informal, from investors: Egyptian Glass Company, Al Nasr Glass & Crystal, Omar Effendi, Ismailia Misr Cooling and Storage Company, Misr Hotels, the Shepherd's Hotel, General Warehouses, Misr Aswan Company for Fishing and Fish Production, Al Nasr Electrical Apparatus (NEEASAE), the National ("Kawmia") Company for Tourism, and the Arab Company for Tourism and Hotel Investment.